

VILLAGE OF SAND LAKE
KENT COUNTY, MICHIGAN
AUDIT REPORT
MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF SAND LAKE	County KENT
Fiscal Year End MARCH 31, 2006	Opinion Date AUGUST 17, 2006	Date Audit Report Submitted to State SEPTEMBER 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

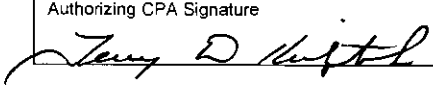
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Terry Kirkpatrick, CPA, P.C.		Telephone Number 231-796-3332		
Street Address 211 MAPLE STREET		City BIG RAPIDS	State MI	Zip 49307
Authorizing CPA Signature 		Printed Name Terry D. Kirkpatrick		License Number 18035

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TERRY KIRKPATRICK, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Village Council of the
Village of Sand Lake, Kent County, Michigan:

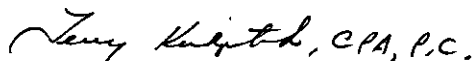
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Sand Lake, Kent County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Village of Sand Lake's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Village of Sand Lake, Kent County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Sand Lake, Kent County, Michigan, as of March 31, 2006, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Sand Lake has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2006. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Sand Lake, Kent County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
August 17, 2006

BASIC FINANCIAL STATEMENTS

Village of Sand Lake – Kent County, Michigan

Government Wide Statement of Net Assets

March 31, 2006

With Comparative Totals at March 31, 2005

	Governmental Activities	Business-Type Activities	Totals 2006	2005
ASSETS				
Cash and Cash Equivalents	\$ 298,769	\$ 248,095	\$ 546,864	\$ 550,758
Accounts Receivable	0	46,383	46,383	9,271
Debt Taxes Receivable	480,000	0	480,000	505,000
Due from Other Governmental Units	74,061	511	74,572	23,217
Due from Other Funds	2,315	456	2,771	538
Capital Assets - Net of Depreciation	285,574	1,411,871	1,697,445	1,703,410
Total assets	1,140,719	1,707,316	2,848,035	2,792,194
LIABILITIES				
Accounts Payable	6,590	5,657	12,247	21,603
Payroll Taxes Payable	2,540	0	2,540	3,319
Due to Other Funds	456	1,777	2,233	105
Deferred Revenue	0	36,121	36,121	4,028
Long-term Liabilities:				
Due within one year	25,000	6,000	31,000	25,000
Due in more than one year	455,000	207,415	662,415	480,000
Total liabilities	489,586	256,970	746,556	534,055
NET ASSETS				
Invested in Capital Assets- Net of Debt	285,574	1,411,871	1,697,445	1,703,410
Unrestricted	365,559	38,475	404,034	554,729
Total net assets	\$ 651,133	\$ 1,450,346	\$ 2,101,479	\$ 2,258,139

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan
Government Wide Statement of Activities
For the Year Ended March 31, 2006
With Comparative Totals for March 31, 2005

	<u>Program Revenues</u>			<u>Net (Expense)</u>		<u>Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2006</u>	<u>2005</u>
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 170,097	\$ 0	\$ 0	\$ (170,097)	\$ 0	\$ (170,097)	\$ (146,714)
Public Safety	109,139	71,254	0	(37,885)	0	(37,885)	(59,361)
Public Works	118,727	0	0	(118,727)	0	(118,727)	(70,292)
Other Functions	16,197	0	0	(16,197)	0	(16,197)	(13,221)
Interest on Long-Term Debt	14,776	49,422	0	34,646	0	34,646	32,135
Depreciation (unallocated)	33,148	0	0	(33,148)	0	(33,148)	(26,925)
Total governmental activities	462,084	120,676	0	(341,408)	0	(341,408)	(284,378)
Business-Type Activities:							
Water	127,166	37,303	0	0	(89,863)	(89,863)	(59,068)
Sewer	51,192	27,246	0	0	(23,946)	(23,946)	(26,462)
Total business-type activities	178,358	64,549	0	0	(113,809)	(113,809)	(85,530)
Total primary government	\$ 640,442	\$ 185,225	\$ 0	(341,408)	(113,809)	(455,217)	(369,908)
General Revenues							
Property Tax				145,635	0	145,635	139,995
State Shared Revenue				100,811	0	100,811	99,741
Interest and Dividends				4,041	6,981	11,022	6,852
Loan Proceeds				0	0	0	36,000
Transfers				(6,550)	6,550	0	0
Other Revenue				66,089	0	66,089	32,173
Total general revenues				310,026	13,531	323,557	314,761
Change in Net Assets				(31,382)	(100,278)	(131,660)	(55,147)
Net assets - April 1,				682,515	1,550,624	2,233,139	2,288,286
Net assets - March 31,				\$ 651,133	\$ 1,450,346	\$ 2,101,479	\$ 2,233,139

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Village of Sand Lake -- Kent County, Michigan
 Governmental Fund Balance Sheet
 March 31, 2006
 With Comparative Totals at March 31, 2005

	General Fund	Major Street Fund	Road Bond Debt Fund	Non-Major Governmental Funds	Total Governmental Funds
				2006	2005
ASSETS					
Cash and Cash Equivalents	\$ 106,261	\$ 36,881	\$ 65,408	\$ 90,219	\$ 298,769
Due from Kent County	19,825	0	6,215	0	26,040
Due from State of Michigan	0	37,008	0	11,013	48,021
Due from Other Funds	5,609	0	12,012	0	17,621
Total assets	\$ 131,695	\$ 73,889	\$ 83,635	\$ 101,232	\$ 390,451
					\$ 429,856
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ 6,590	0	0	0	\$ 6,590
Due to Other Funds	12,468	1,936	0	1,358	15,762
Payroll Taxes Payable	2,540	0	0	0	2,540
Fund Balance - Unreserved and Undesignated	110,097	71,953	83,635	99,874	365,559
Total liabilities and fund equity	\$ 131,695	\$ 73,889	\$ 83,635	\$ 101,232	\$ 390,451
					\$ 429,856

Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Assets

Total Governmental Fund Balances	\$ 365,559	\$ 402,793
Amounts reported for governmental activities in the statement of net assets are different because:		
Cost of capital assets, net of depreciation	285,574	337,177
Net assets of governmental activities	\$ 651,133	\$ 739,970

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2006
With Comparative Totals for March 31, 2005

	General Fund	Major Street Fund	Road Bond Debt Funds	Non-Major Governmental Funds	Total Governmental Funds
				2006	2005
REVENUES					
Property Tax	\$ 145,635	\$ 0	\$ 49,422	\$ 0	\$ 195,057
State Grants	52,790	37,008	0	11,013	100,811
Charges for Services	84,803	0	0	0	84,803
Interest and Dividends	828	808	0	2,405	4,041
Other Revenue	39,048	0	0	13,492	52,540
Total revenues	323,104	37,816	49,422	26,910	437,252
					411,834
EXPENDITURES					
General Government	170,097	0	0	0	170,097
Public Safety	109,139	0	0	0	109,139
Public Works	11,165	26,192	0	81,370	118,727
Other Functions	16,197	0	0	0	16,197
Debt Service	0	0	39,776	0	39,776
Capital Outlay	0	0	0	14,000	14,000
Total expenditures	306,598	26,192	39,776	95,370	467,936
					523,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,506	11,624	9,646	(68,460)	(30,684)
					(111,939)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	0	0	0	0	0
Transfers In	0	0	23,059	24,674	47,733
Transfers Out	(31,224)	0	0	(23,059)	(54,283)
Total other financing sources (uses)	(31,224)	0	23,059	1,615	(6,550)
					33,680
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(14,718)	11,624	32,705	(66,845)	(37,234)
					(78,259)
Fund Balance - April 1,	124,815	60,329	50,930	166,719	402,793
					481,052
Fund Balance - March 31,	\$ 110,097	\$ 71,953	\$ 83,635	\$ 99,874	\$ 365,559
					\$ 402,793

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2006

With Comparative Amounts for March 31, 2005

	<u>2006</u>	<u>2005</u>
Net Change in Fund Balances - Total Government Funds	\$ (37,234)	\$ (78,259)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation - capital outlay	14,000	110,726
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	25,000	20,000
Transfer to Water Fund by General Fund	0	2,320
Depreciation expense	<u>(33,148)</u>	<u>(26,925)</u>
Change in Net Assets of Governmental Activities	<u>\$ (31,382)</u>	<u>\$ 27,862</u>

The "Notes to Financial Statements" are an integrated part of these statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Village of Sand Lake – Kent County, Michigan

Proprietary Fund Statement of Net Assets

March 31, 2006

With Comparative Totals at March 31, 2005

	Sewer Fund	Water Fund	Internal Service Fund	Totals	
				2006	2005
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 156,798	\$ 91,297	\$ 6,906	\$ 255,001	\$ 165,871
Utility bills receivable	3,942	6,320	0	10,262	5,243
Assessments receivable	891	35,230	0	36,121	4,028
Due from other governmental units	511	0	0	511	506
Due from General Fund	0	456	0	456	105
Total current assets	162,142	133,303	6,906	302,351	175,753
Non-current Assets					
Capital assets (Net of depreciation)	648,613	763,258	28,807	1,440,678	1,431,143
Total assets	810,755	896,561	35,713	1,743,029	1,606,896
LIABILITIES					
Current Liabilities					
Accounts payable	3,991	1,666	0	5,657	7,165
Due to General Fund	1,777	0	0	1,777	0
Deferred revenue	891	35,230	0	36,121	4,028
Total current liabilities	6,659	36,896	0	43,555	11,193
Long-term Liabilities					
1st St. Project Note	0	33,415	0	33,415	0
Revenue Bonds Payable	0	180,000	0	180,000	0
Total long-term liabilities	0	213,415	0	213,415	0
NET ASSETS					
Invested in Capital Assets - Net of Debt	648,613	763,258	28,807	1,440,678	1,431,143
Unrestricted	155,483	(117,008)	6,906	45,381	164,560
Total net assets	\$ 804,096	\$ 646,250	\$ 35,713	\$1,486,059	\$1,595,703

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan

Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets

For the Year Ended March 31, 2006

With Comparative Totals for March 31, 2005

	Sewer Fund	Water Fund	Internal Service Fund	Totals 2006	2005
Operating Revenues					
Water sales	\$ 0	\$ 36,650	\$ 0	\$ 36,650	\$ 22,054
Sewage disposal services	26,577	0	0	26,577	25,389
Water and sewer assessments	669	653	0	1,322	923
Hook-up and other charges	0	0	10,207	10,207	17,156
Total operating revenues	27,246	37,303	10,207	74,756	65,522
Operating Expenses					
Salaries and wages	7,727	17,929	0	25,656	23,413
Operating supplies	329	2,536	581	3,446	2,209
Contract services	2,916	59,840	0	62,756	35,260
Utilities and telephone	1,336	4,767	0	6,103	7,057
Repair and maintenance	24,220	4,159	2,530	30,909	24,725
Insurance	769	937	0	1,706	3,178
Payroll taxes	582	1,350	0	1,932	1,789
Miscellaneous expenses	92	1,619	11,572	13,283	1,624
Debt interest payments	0	2,983	1,314	4,297	0
Depreciation	13,221	31,046	3,648	47,915	47,390
Total operating expenses	51,192	127,166	19,645	198,003	146,645
Operating Income (Loss)	(23,946)	(89,863)	(9,438)	(123,247)	(81,123)
Non-Operating Revenues (Expenses)					
Interest Revenue	3,640	3,341	177	7,158	2,717
Income (Loss) Before Contribution and Transfers (Out)	(20,306)	(86,522)	(9,261)	(116,089)	(78,406)
Transfer from General Fund	0	6,550	0	6,550	2,318
Change in Net Assets	(20,306)	(79,972)	(9,261)	(109,539)	(76,088)
Total Net Assets- April 1,	824,402	726,222	44,974	1,595,598	1,671,686
Total Net Assets- March 31,	\$ 804,096	\$ 646,250	\$ 35,713	\$ 1,486,059	\$ 1,595,598

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan

Proprietary Fund Statement of Cash Flows

For the Year Ended March 31, 2006

With Comparative Totals for March 31, 2005

	Sewer Fund	Water Fund	Internal Service Fund	Totals 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 27,246	\$ 37,303	\$ 0	\$ 64,549	\$ 58,807
Internal Activity- Receipts from Other Funds	0	0	10,207	10,207	12,658
Payments to Employees	(7,727)	(17,929)	0	(25,656)	(23,413)
Payments to Suppliers	(329)	(2,536)	(581)	(3,446)	(2,209)
Other Receipts (Payments)	(31,515)	(79,266)	(15,416)	(126,197)	(71,155)
Net cash provided (used) by operating activities	(12,325)	(62,428)	(5,790)	(80,543)	(25,312)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfer from Other Funds	0	6,550	0	6,550	2,318
Proceeds on Revenue Bonds	0	213,415	0	213,415	0
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Purchase of Capital Assets	0	(57,450)	0	(57,450)	(25,000)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends	3,640	3,341	177	7,158	2,717
Net increase (decrease) in cash and cash equivalents	(8,685)	103,428	(5,613)	89,130	(45,277)
Balances- April 1,	165,483	(12,131)	12,519	165,871	211,148
Balances- March 31,	\$156,798	\$ 91,297	\$ 6,906	\$ 255,001	\$165,871
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (23,946)	\$ (89,863)	\$ (9,438)	\$ (123,247)	\$ (81,123)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	13,221	31,046	3,648	47,915	47,390
Change in Assets and Liabilities:					
Receivables - net	(713)	(35,305)	0	(36,018)	5,943
Accounts and other payables	(887)	31,694	0	30,807	2,478
Net Cash Provided (Used) by Operating Activities	\$ (12,325)	\$ (62,428)	\$ (5,790)	\$ (80,543)	\$ (25,312)

The "Notes to Financial Statements" are an integral part of these statements.

FIDUCIARY FUNDS

Village of Sand Lake – Kent County, Michigan

Fiduciary Fund – Statement of Net Assets

For the Year Ended March 31, 2006

With Comparative Amounts at March 31, 2005

	Trust Fund Type	
	Cemetery Perpetual Care Fund	
	2006	2005
ASSETS		
Cash and Cash Equivalents	\$ 27,760	\$ 27,042
LIABILITIES		
Due to General Fund	\$ 538	\$ 538
Fund Equity - Expendable	826	826
Fund Equity - Non-expendable	26,396	25,678
Total fund equity	\$ 27,760	\$ 27,042

The "Notes to Financial Statements" are an integrated part of these statements.

NOTES TO FINANCIAL STATEMENTS

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Sand Lake conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Sand Lake:

Reporting Entity

The Village is governed by an elected, five-member, Council. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Village does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Village of Sand Lake's property tax is levied on each December 1st on the taxable valuation of property located within Village of Sand Lake as of the preceding December 31st.

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2006

Although the Village of Sand Lake 2005 ad valorem tax is levied and collectible on July 1, 2005, it is Village of Sand Lake's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of Village of Sand Lake totaled approximately \$9,551,473, on which ad valorem taxes levied consisted of 15.0 mills for the Village operating purposes and an additional 5.169 mills for street improvement bonds. These amounts are recognized in the respective General and Debt Retirement Fund financial statements as Due from Kent County and/or as a tax revenue.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted-for in another fund.

The Road Bond Debt Fund is used to record property tax and interest for expenditures for debt service.

The Village reports the following major proprietary funds:

The Water and Sewer Funds account for activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund types:

The Village reports a Fiduciary Fund (Trust Fund). This fund accounts for Cemetery perpetual care. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements.

The Village reports five non-major special revenue funds and capital projects.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and are considered delinquent on October 1st, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	3 years to 10 years
Equipment	5 years to 10 years

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2006

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Village have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a Village to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village has designated two banks for the deposit of Village funds. The investment policy adopted by the Village Council in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 590,182

The bank balance of the primary government's deposits is \$581,530, of which \$300,000 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	General	Road Bond Debt	Total
Taxes receivable	\$ 19,825	\$ 6,215	\$ 26,040

Village of Sand Lake – Kent County, Michigan
Notes to Financial Statements - Continued
For the Year Ended March 31, 2006

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated- land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Capital assets being depreciated				
Buildings	214,464	0	0	214,464
Vehicles	275,064	14,000	0	289,064
Equipment	52,500	0	0	52,500
Less Accumulated depreciation for Capital assets	(247,306)	(33,148)	(0)	(280,454)
Net capital assets	<u>\$ 304,722</u>	<u>\$ (19,148)</u>	<u>\$ 0</u>	<u>\$ 285,574</u>

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

NOTE F – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Major Street	\$ 1,936
	Local Street	1,358
	Sewer	1,777
	Cemetery P.C.	538
Road Bond Debt	General	12,012
Water Fund	General	456

NOTE G – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Village has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2006

NOTE H – LONG-TERM DEBT REQUIREMENTS

The annual principal and interest requirements through maturity for the 2003 Road Construction Bonds outstanding as of March 31, 2006 are as follows:

<u>Year Ending March 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>
2007	\$ 14,313.75	\$ 25,000.00	\$ 39,313.75
2008	13,805.00	30,000.00	43,805.00
2009	13,250.00	30,000.00	43,250.00
2010	12,530.00	30,000.00	42,530.00
2011-2015	47,116.25	185,000.00	232,116.25
2016-2019	13,312.50	180,000.00	193,312.50
	<u>\$ 114,327.50</u>	<u>\$ 480,000.00</u>	<u>\$ 594,327.50</u>

The annual principal and interest requirements through maturity for the revenue bonds for the new water well outstanding as of March 31, 2006 are as follows:

<u>Period Ending</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirements</u>
9/1/06	\$ 3,486.75	\$ 6,000.00	\$ 9,486.75
3/1/07	3,389.25	0	3,389.25
9/1/07	3,389.25	7,000.00	10,389.25
3/1/08	3,275.50	0	3,275.50
9/1/08	3,275.50	7,000.00	10,275.50
3/1/09	3,161.75	0	3,161.75
9/1/09	3,161.75	7,000.00	10,161.75
3/1/10	3,048.00	0	3,048.00
9/1/10	3,048.00	7,000.00	10,048.00
2011-2025	53,704.50	146,000.00	199,704.50
	<u>\$ 82,940.25</u>	<u>\$ 180,000.00</u>	<u>\$ 262,940.25</u>

The annual principal and interest requirements through maturity for the 1st Street Voluntary Special Assessments outstanding as of March 31, 2006 are as follows:

<u>Period Ending</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirements</u>
8/1/06	\$ 610.00	\$ 0	\$ 610.00
8/1/07	1,333.26	3,700.00	5,033.26
8/1/08	1,185.63	3,700.00	4,885.63
8/1/09	1,038.00	3,700.00	4,738.00
8/1/10	890.37	3,700.00	4,590.37
2011-2025	2,237.40	18,615.00	20,852.40
	<u>\$ 7,294.66</u>	<u>\$ 33,415.00</u>	<u>\$ 40,709.66</u>

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2006

NOTE I – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains Sewer and Water Maintenance Enterprise Funds, which provide service to Village residents. Segment information for the year ended March 31, 2006, was as follows:

	Sewer	Water	Totals
Operating revenues	\$ 27,246	\$ 37,303	\$ 64,549
Depreciation	13,221	31,046	44,267
Operating income (loss)	(23,946)	(89,863)	(113,809)
Non-operating revenues (expenses)	3,640	3,341	6,981
Net income (loss)	(20,306)	(79,972)	(100,278)
Net working capital	155,483	96,407	251,890
Total equity:			
Contributed capital	619,078	616,596	1,235,674
Retained earnings	185,018	29,654	214,672

REQUIRED SUPPLEMENTAL INFORMATION

Village of Sand Lake – Kent County, Michigan

Budgetary Comparison Schedule

General Fund

For the Year Ended March 31, 2006

With Comparative Actual Amounts at March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	2005 Actual
BEGINNING OF YEAR FUND BALANCE	\$ 124,815	\$ 124,815	\$ 124,815	\$ 0	\$ 199,642
Resources (inflows)					
Property Tax	143,000	143,000	145,635	2,635	139,995
State Grants	49,000	49,000	52,790	3,790	53,360
Charges for Services	83,285	83,285	84,803	1,518	88,267
Interest and Dividends	2,000	2,000	828	(1,172)	520
Other Revenue	27,000	27,000	39,048	12,048	29,678
Loan Proceeds - Plow Truck	0	0	0	0	36,000
Amounts Available for Appropriation	429,100	429,100	447,919	18,819	547,462
Charges to Appropriations (outflows)					
General Government					
Village Council	4,860	4,860	4,650	210	4,648
Elections	0	0	0	0	185
Assessor	500	500	0	500	500
Clerk	24,550	24,550	24,525	25	23,000
Treasurer	8,605	8,605	8,604	1	8,195
Village Hall	70,000	70,000	86,827	(16,827)	89,281
Other administrative	35,000	35,000	36,072	(1,072)	33,040
Cemetery	8,510	8,510	9,419	(909)	8,327
Public Safety					
Fire protection	83,285	83,285	60,352	22,933	70,129
Police protection	43,000	43,000	48,787	(5,787)	53,504
Public Works					
Street lighting	11,500	11,500	11,165	335	10,123
Other Functions					
Insurance and Bonds	0	0	6,057	(6,057)	3,196
Social security/ medicare tax	0	0	10,140	(10,140)	10,025
Capital Outlay					
Equipment	0	0	0	0	88,319
Transfer to Other Funds	0	0	31,224	(31,224)	20,175
Total Charges to Appropriations	289,810	289,810	337,822	(48,012)	422,647
Budgetary Fund Balance - March 31, 2006	\$ 139,290	\$ 139,290	\$ 110,097	\$ (29,193)	\$ 124,815

Village of Sand Lake – Kent County, Michigan

Budgetary Comparison Schedule

Major Street Fund

For the Year Ended March 31, 2006

With Comparative Actual Amounts at March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>	<u>2005 Actual</u>
BEGINNING OF YEAR FUND BALANCE	\$ 60,329	\$ 60,329	\$ 60,329	\$ 0	\$ 60,001
Resources (inflows)					
State Grants	31,536	31,536	37,008	5,472	35,755
Interest and Dividends	0	0	808	808	896
Amounts Available for Appropriation	91,865	91,865	98,145	6,280	96,652
Charges to Appropriations (outflows)					
Public Works					
Highways, Streets, and Bridges	36,870	36,870	26,192	10,678	36,323
BUDGETARY FUND BALANCE - March 31, 2006	\$ 54,995	\$ 54,995	\$ 71,953	\$ 16,958	\$ 60,329

Village of Sand Lake – Kent County, Michigan

Budgetary Comparison Schedule

Road Bond Debt Fund

For the Year Ended March 31, 2006

With Comparative Actual Amounts at March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	2005 Actual
BEGINNING OF YEAR FUND BALANCE	\$ 50,930	\$ 50,930	\$ 50,930	\$ 0	\$ 38,795
Resources (inflows)					
Property Tax	39,861	39,861	49,422	9,561	47,327
Transfer from Road Construction Fund	0	0	23,059	23,059	0
Amounts Available for Appropriation	90,791	90,791	123,411	32,620	86,122
Charges to Appropriations (outflows)					
Debt Service					
Principal payments	25,000	25,000	25,000	0	20,000
Interest paymnets	7,273	7,273	14,776	(7,503)	15,192
BUDGETARY FUND BALANCE - March 31,	\$ 58,518	\$ 58,518	\$ 83,635	\$ 25,117	\$ 50,930

OTHER SUPPLEMENTAL INFORMATION

Village of Sand Lake – Kent County, Michigan
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2006
With Comparative Totals at March 31, 2005

	Local Street Fund	Road Construction Fund	Fire Vehicle Fund	Fire Fighting Apparatus Fund	Police Cruiser Fund	Totals	2006	2005
ASSETS								
Cash and Cash Equivalents	\$ 42,654	\$ 0	\$ 40,782	\$ 6,102	\$ 681	\$ 90,219	\$ 173,506	
Due from State of Michigan	11,013	0	0	0	0	11,013	0	
Total assets	\$ 53,667	\$ 0	\$ 40,782	\$ 6,102	\$ 681	\$ 101,232	\$ 173,506	
LIABILITIES AND FUND EQUITY								
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,346	
Due to Other Funds	1,358	0	0	0	0	1,358	2,441	
Fund Balance	52,309	0	40,782	6,102	681	99,874	166,719	
Total liabilities and fund equity	\$ 53,667	\$ 0	\$ 40,782	\$ 6,102	\$ 681	\$ 101,232	\$ 173,506	

Village of Sand Lake – Kent County, Michigan
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
March 31, 2006
With Comparative Total Amounts at March 31, 2005

	Local Street Fund	Road Construction Fund	Fire Vehicle Fund	Fire Fighting Apparatus Fund	Police Cruiser Fund	Totals
						2006
						2005
REVENUES						
State Grants	\$ 11,013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,013
Interest and Dividends	75	2,330	0	0	0	2,405
Other Revenue	0	0	10,556	2,936	0	13,492
Total revenue	11,088	2,330	10,556	2,936	0	26,910
EXPENDITURES						
Public Safety	0	0	0	0	0	0
Public Works	10,912	70,458	0	0	0	81,370
Capital Outlay	0	0	14,000	0	0	14,000
Total expenditures	10,912	70,458	14,000	0	0	95,370
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	176	(68,128)	(3,444)	2,936	0	(68,460)
OTHER FINANCING SOURCES (USES)						
Transfers In	0	0	24,674	0	0	24,674
Transfers Out	0	(23,059)	0	0	0	(23,059)
Total other financing sources	0	(23,059)	24,674	0	0	1,615
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	176	(91,187)	21,230	2,936	0	(66,845)
FUND BALANCE - April 1,	52,133	91,187	19,552	3,166	681	166,719
FUND BALANCE - March 31,	\$ 52,309	\$ 0	\$ 40,782	\$ 6,102	\$ 681	\$ 99,874
						\$ 166,719

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August 17, 2006

Members of the Village Council
Village of Sand Lake
Kent County, Michigan

We recently completed our audit of the basic financial statements of the Village of Sand Lake for the year ended March 31, 2006. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Village. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

CLERK AND TREASURER'S BOOKS

The Clerk and Treasurer's financial records appeared to be maintained very well this year. Both appear to be improving every year.

The one recommendation to both is that their records should be compared every month to determine if any corrections are required. With so many funds involved it is very easy for expenditures to be recorded in a certain fund by the Clerk and a different fund by the Treasurer.

This recommendation was also included in last year's audit report.

STATE UNEMPLOYMENT REPORTS

We do not believe that any State Unemployment Reports have been filed with the State of Michigan for the past two years. Last year, the IRS Forms 941 were in arrears, but have since been brought up to date. The State unemployment reports do not generate a large tax compared to the Forms 941, but they still must be filed before penalties become substantial.

BUDGET SHORTCOMINGS

Looking at page number seventeen of the audit report, there are several areas in which the budget requirements were not met. The items in the fourth column, which appear in brackets, are the areas in which the actual expenditures exceeded the budgeted amounts. In total, the budget was fine, but several individual activities should have been amended.

OTHER MATTERS

We have enjoyed working with your staff. Their competence and assistance were instrumental in our timely completion of the audit.

We have submitted two copies of the audit report, auditing procedures report, and this letter to the Michigan Department of Treasury, Local Audit Division. There is a Form F-65 enclosed which must be signed by the Village Clerk and mailed to the Michigan Department of Treasury also. A pre-addressed envelope is attached to the Form F-65.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

Terry Kightl, CPA, P.C.